Higher Ed Lower Debt for Wisconsin

Commonsense solutions for Wisconsin's Student Loan Borrowers

Introduced by State Rep. Cory Mason (D-Racine) & State Sen. Dave Hansen (D-Green Bay).

FREQUENTLY ASKED QUESTIONS

What does this bill do?

The Higher Ed, Lower Debt Bill represents common sense solutions for Wisconsin's student loan borrowers. This bill:

- Will allow Wisconsin's student loan borrowers to deduct their student loan payments from their income tax, **resulting in individual tax savings of approximately $179 for the typical borrower or as much as $531 annually.**
- Will enable Wisconsin's **student loan borrowers to refinance their student loans at lower interest rates**, putting potentially hundreds of dollars back in their pockets and into Wisconsin's economy annually.
- Will provide students and parents with **detailed information about student loans**, the best and worst private lenders, and ensure that students receive **loan counseling** so that Wisconsin's student loan borrowers can make informed financial decisions about student loans.
- Will ensure that **data is collected and tracked about student loan debt in Wisconsin** to help policymakers and the public better understand the debt crisis in our state.

Why is this bill needed?

The U.S. Federal Reserve System estimates that there are **753,000 Wisconsin residents** with federal student loan debt. (There are thousands more who also hold private student loan debt). College tuition costs have doubled over the last 12 years and Wisconsin's student loan borrowers have an average debt of **$22,400.** It is estimated that Wisconsin residents paying student loans from obtaining a bachelor's degree are paying an average of **$388 per month for an average of 18.7 years**.

Student debt is the only kind of household debt that continued to rise through the Great Recession, and is now the **second largest consumer debt in our country**, more than credit cards or auto loans. Banks are profiting to the tune of tens of billions per year from interest charged to student loan borrowers while Wisconsin's residents are drowning under the weight of these debts.

Students, borrowers, and their families are increasingly being squeezed by dramatic cuts to universities and technical colleges and skyrocketing tuition. Those changes are compounded by profiteering by big banks. The end result is that nearly **40 million Americans hold over $1.2 trillion in student loan debt nationally.**

Some issues related to student loans can only be dealt with at the federal level. But Congress' partisan gridlock leaves little hope for real relief for student loan borrowers. This summer, Congress' partisan gridlock led to (for a time) a doubling of interest rates on student loans, and a deal that will cost borrowers billions more in interest rates in the future.

We cannot wait for Congress to act. It is time for innovative, common-sense state solutions like the Higher Ed, Lower Debt Bill that will provide real relief for Wisconsin's student loan borrowers.

How will the bill help current borrowers?

Wisconsin families' share of the $1.2 trillion dollar student loan debt crisis has been shown to be a huge drag not just on their household budgets, but our entire state economy.

The Higher Ed, Lower Debt Bill creates a student loan refinancing authority to **help current borrowers refinance their student loans,** just like homeowners can refinance their mortgages. In some cases, student loan borrowers are being charged interest rates up to 12%. **Lower interest rates mean more money in the pockets of Wisconsin's more than 753,000 student loan borrowers, and more money being spent in our state's economy.**

The Higher Ed, Lower Debt Bill will also provide relief to borrowers and their families by allowing them to **deduct their student loan payments from their state taxes,** just as you can currently deduct college expenses (up to $6,543 annually). It is estimated that Wisconsin's student loan borrowers could realize annual tax savings of **$179 for a typical borrower to as much as $531** for an individual or $1,062 for a married couple as a result of this legislation.

How will the bill help prospective borrowers?

The Higher Ed, Lower Debt Bill will also help new students and prospective borrowers and their families by requiring higher education institutions to **provide detailed information to students before they enter into loan agreements**. The bill also would ensure *students receive loan counseling* so that they understand the full financial implications of student loans and can make informed decisions.

As well, the bill tasks the Department of Financial Institutions with **collecting and disseminating information about private student loan lenders**, including a ranking system based on interest rates, loan terms, and consumer protections.

Finally, the bill requires the **Higher Education Aid Board to track information about student loan debt** in the state to help policymakers better understand the depth and breadth of the debt crisis in Wisconsin.

What are the savings to borrowers?

Savings under the bill will vary depending on an individual's debt load and the interest rates on their loans.

According to the nonpartisan Legislative Fiscal Bureau the typical borrower could see an income tax savings of **approximately $179 under the Higher Ed, Lower Debt Bill's** income tax deduction. Borrowers who are paying more per year in student loan payments could see **tax savings up to $531 annually.**

Depending on interest rates, borrowers and their families taking advantage of the ability to refinance their student loans could also see significant benefits. For example, a borrower with an interest rate of 6.8% and the average University of Wisconsin graduate's debt loan of $27,000 who could lower their interest rate to 4% could save over $40 per month. That would put nearly **$500 back in their family's pocket over the course of a year.**

Is it appropriate for the state to act as a lender?

The state already provides numerous loan programs or businesses and individuals. For example, the Wisconsin Housing and Economic Development Agency offer loan programs both for new homeowners and for current owners looking to refinance.

What happens if borrowers default on their state-refinanced student loans?

The new Student Loan Refinancing Authority created by this bill will **evaluate borrowers' qualifications before issuing loans** and is required to charge an interest rate sufficient to maintain an adequate reserve to manage the risk of unpaid debt. In addition, the Authority will have all powers available under current law to collect payments from borrowers. It's also important to note that the Authority will use **bonding as its tool to refinance loans, so no tax dollars will be used for refinancing.**

The Higher Ed, Lower Debt Bill represents common sense solutions for Wisconsin's more than three-quarters of a million student loan borrowers.

Contact the bill's authors for more information:

Rep. Cory Mason at 608-266-0634 or Rep. Mason@legis.wis.gov or Sen. Dave Hansen at 608-266-5670 or Sen.Hansen@legis.wi.gov.